

# Transparency and Accountability in Foreign Aid



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# The Libertarian/Liberal Divide



## Jesse v. Jeffrey

*“Unless the United States makes clear to these countries that the only way to economic prosperity is through free-market policies, then the United States is merely throwing the U.S. taxpayers' money down a rathole.”*

- Senator Jesse Helms, Senate Floor, May 14th, 1991, debating foreign aid bill

v.

*“The rich countries will have to help square the circle through a massive effort of support at disease control. The numbers can not add up in any other way.”*

- Jeffrey D. Sachs, WHO Conference in Winterthur, Switzerland: "Massive Effort Advocacy Forum". October 5 2000



# Transparency: a working definition



The posting on a public web site all spending information, including:

- Recipients of funds
- Itemized accounting of what is purchased in goods or services
- Terms and conditions (and preferably a copy) of every grant or contract
- Regular progress reports on fulfilling those terms by each grantee or contractor
- Aggregation of data into tables of how much total is spent on types of activities or procurement, by country
- Documented progress program- and country-wide against measurable outcome indicators.



**ACCOUNTABILITY =**

- TRANSPARENCY**
- RESULTS**
- COMPETITION**
- PRIORITY-SETTING**
- RESPONSIVENESS**
- SPENDING DISCIPLINE**



# Why Transparency?

- Impossible to argue against.
- Doesn't take sides.
- Exposes true quality of management of a program.
- Eviscerates spin.
- Exposes the true priorities of a program.
- Enlists the public in the oversight workload.
- **DETERS BAD BEHAVIOR.**

# The Transparency Timeline

- Outside experts or whistleblowers criticize a program – alerting Congress;
- Congress seeks corroboration;
- Agency denies the charges, without proof;
- Agency fights back – attacks/impugns critics;
- Congressional oversight exposes info that agency doesn't know;
- Agency embarrassed;
- Agency reform begins voluntarily or political will grows to force reform.



# 3 Case Studies



1. USAID Malaria control: Bilateral program, fully accountable structure;



2. UN Headquarters renovation: Multilateral program – fully unaccountable structure;



3. Iran Broadcasting: Quasi-independent agency, partially accountable structure.



# Case Study 1: USAID Malaria Control



- Congress alerted by scientific community



- Criticisms: bad drugs, ineffective prevention



- USAID denies





# The Spin Cycle

- “Contrary to popular belief, USAID does support use of DDT in its malaria control programs. In most countries in Africa where USAID provides support to malaria control programs, it has been judged more cost-effective and appropriate to put U.S. government funds into other malaria control activities than IRS. ...in countries in which circumstances support the use of IRS (including DDT) USAID has funded and supported such malaria control programs.”
  - Anne Peterson, then Global Health Bureau chief, USAID, in written testimony to a Senate Foreign Relations subcommittee, 10/6/2004



**USAID**  
FROM THE AMERICAN PEOPLE

# USAID Malaria Programs (\$s - millions)

	FY04 Actual		FY05 (estimate)		FY06 Senate-passed level	
Commodities*	\$6.2	8%	\$10 - \$15	11-17%	\$35 - \$45	33-43%
Indoor Residual Spraying	\$0.8 - \$0.9	1%	\$2 - \$5	2-6%	\$7 - \$10	7-10%
Technical Assistance	\$22.7	28%	\$20 - \$25	22-28%	\$25.0	24%
Administrative/Indirect	\$22.8	29%	\$25.0	28%	\$25 - \$30	24-29%
Research/Conferences	\$8 - \$10	10-13%	\$10.0	11%	\$10.0	10%
Other**	\$18.0	23%	\$9 - \$22	10-25%	***	
<b>TOTAL</b>	<b>\$79.8</b>		<b>\$89.0</b>		<b>\$105.0</b>	

\* Commodities include nets, retreatment kits, some Indoor Residual Spraying items, drugs, and other.

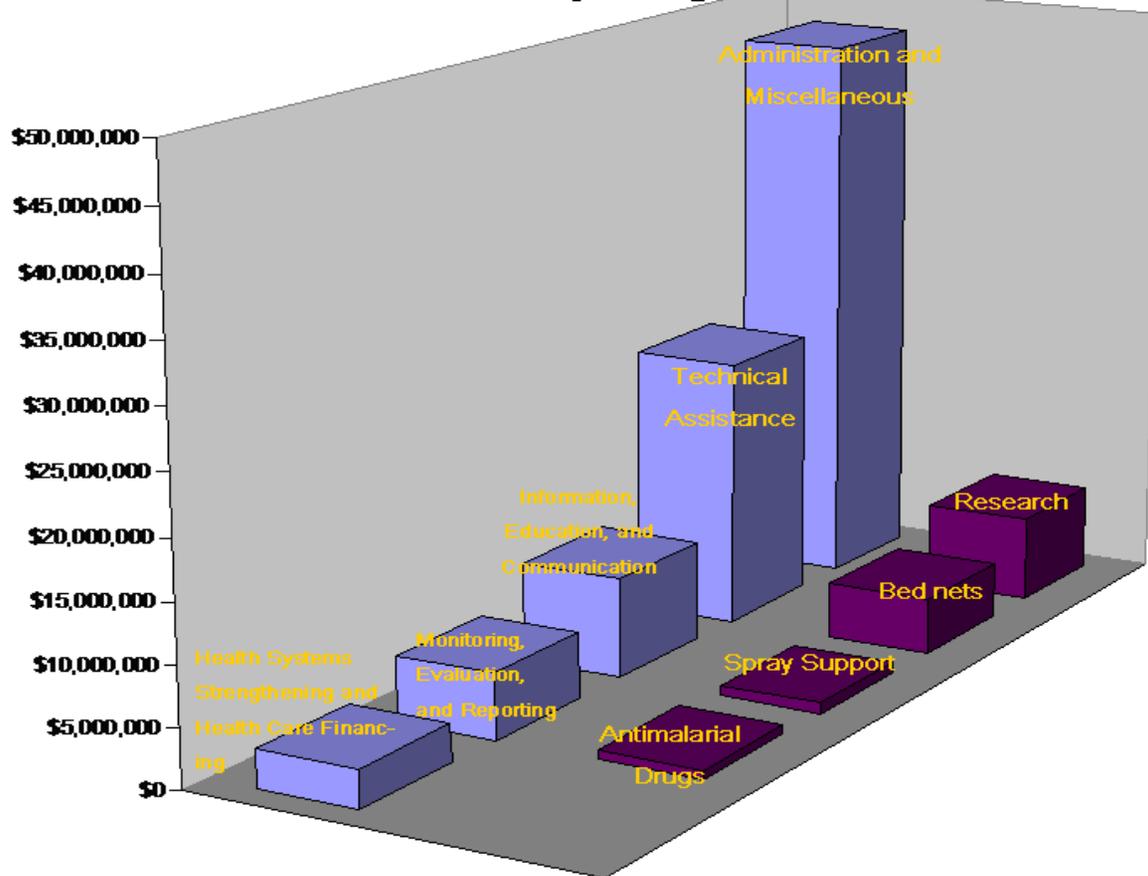
\*\* Other includes information, education, communication, monitoring and evaluation.

\*\*\* "Other" activities for FY2006 are included in figures above.

Source: USAID

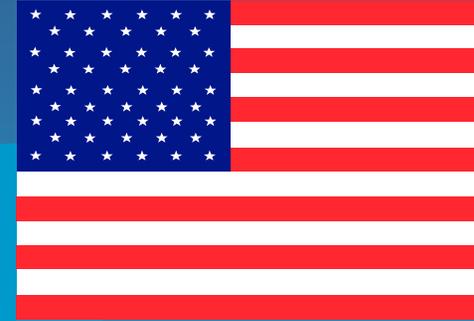
Prepared by Larry Nowels, Congressional Research Service, August 31, 2005.

## USAID Malaria Spending for FY04





# President George W. Bush's Malaria Initiative



The New Standard for Transparency :

- Commit to full transparency:  
([www.fightingmalaria.gov](http://www.fightingmalaria.gov));
- Appoint a key coordinator with authority over the policy AND the funding;
- Set measurable goals.

# Case Study #2: UN Headquarters Renovation

- Congress alerted
- Back-door shenanigans to obtain US loan
  - Helms-Biden prohibits US loan to UN
  - Approps staffer slips in Helms-Biden waiver
  - US to pay itself back *with interest* for about a quarter of principle



# Simple questions

- What is the real cost?
- What do we get for that?
- Corrupt procurement?



# UN Capital Master Plan

## 2005 Estimates:

### Construction

(labor, materials, contingencies, fees)

**\$1,063 Million**

### Price Escalation

**\$360 million**

### Swing Space

**\$164 million**

### “Scope Options”

(system redundancies, grass on roof, wind turbines, etc.)

**\$161 million**

**Total Cost Projection in 2004:**

**\$1,200 million**

**Total Cost Projection in 2005**

**\$1,749 million**

**Total Cost Projection today:**

**\$2,000 million**



A faint, light blue world map is visible in the background of the slide, centered behind the text.

# Problems exposed by oversight:

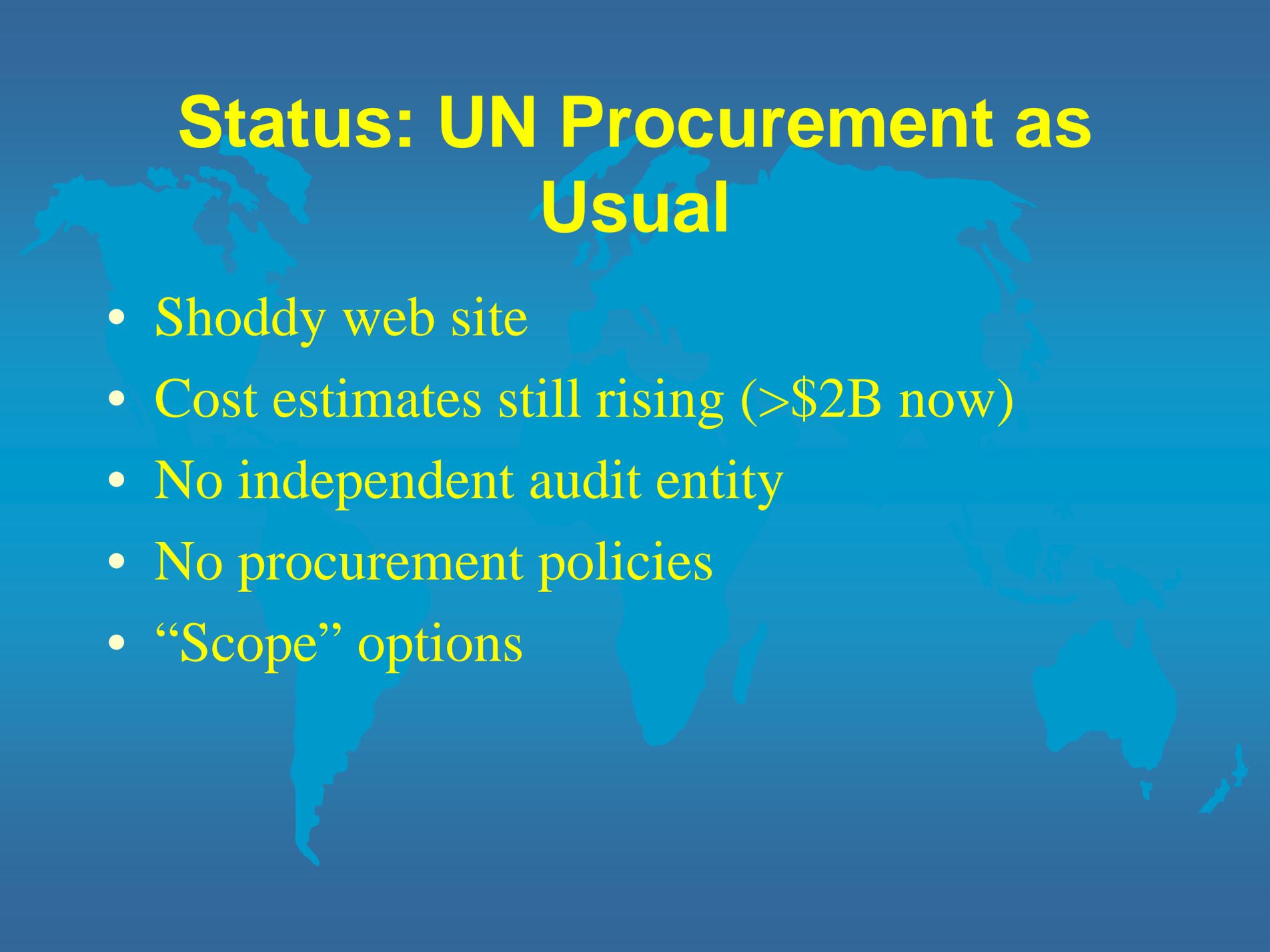
- Italian architectural design firm
- Contingency fees
- Build temp building, then tear down

# Promises, Promises



- Web site
- Fire design firm
- New coordinator
- Periodic meetings

# Status: UN Procurement as Usual



- Shoddy web site
- Cost estimates still rising (>\$2B now)
- No independent audit entity
- No procurement policies
- “Scope” options

# Any hope?

- The UN must be opened up to independent auditing and programmatic reviews.
- All budget and procurement information must be made public.
- The only way to achieve this is through conditioning funds on it.



# Case Study #3: Iran Broadcasting



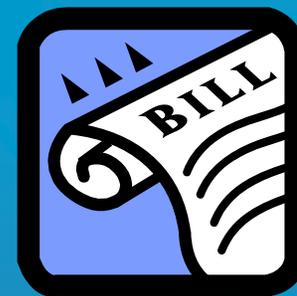
- BBG structure → no accountability
- Language barrier to content oversight
- Congress is alerted
- Oversight begins
- Broken promises
- Proliferating whistleblowers



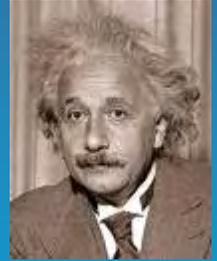
# Role for Congress



- No dog-and-pony show hearings
- Legislate programs with pro-accountability management structure
- Write transparency into EVERY bill
- Write measurable targets into every bill
- More funding for IGs
- Ensure Federal FAT Act Compliance
- Never give up!



# Role for Think Tanks, Other Policy Experts and Activists



- Make noise (academic lit & mass media)
- Ask Congress to get info from agencies
- Tell us what you know!
- Suggest nominees
- Keep demands simple and realistic



# We the People

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*of the United States*



**"We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them."**

– Thomas Jefferson,  
*Letter to Albert Gallatin,*  
1802

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Source: *The Writings of Thomas Jefferson, Vol. 5*